



# SENATOR RUNNER'S WEEK IN REVIEW

A WEEKLY REVIEW THAT WILL KEEP YOU INFORMED AND UP-TO-DATE



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## The Real Scoop on Taxes – Californians Tax Burden is Too High

It is important to place into context how taxes affect the daily lives of Californians and compare what Californians pay for government services to how much residents in other states pay. Right now, Californians are paying 29.9% of their income to meet federal, state, and local tax burdens; that translates to \$11,875 for every California resident. This is too high – we need to continue to guard against any tax increases and advocate lowering the tax burden.

### Tax Freedom Day

According to the Tax Foundation, America celebrated Tax Freedom Day on April 17, 2005. The significance of this date is that taxpayers across the nation worked 107 days before they made enough money to pay all of their local, state, and federal taxes. In other words, Americans worked almost four months before they began earning money for their families, rather than paying for the costs of government.

The chart below shows how many days per year America works to pay taxes compared to other major spending categories.

### News of the Week

[Budget is Signed, State's Bond Rating is Up](#)

[Runners Urge Governor to Attract  
NASA Contract to Build Crew Exploration Vehicle](#)

[Fire in Acton Burns 575 Acres](#)

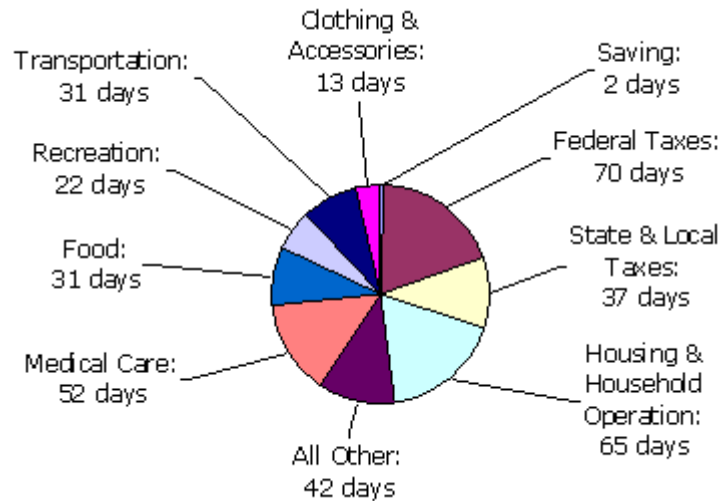
[Runner Bill to Provide More Economic Tools for  
High Desert Passes Committee](#)

[Boeing in 3-Way Race for Next-Generation Aircraft](#)

[Antelope Valley Leader Eliopulos Dies at 80](#)

[Stem Cell Board Needs Transparency](#)

[City of Santa Clarita Earns Better Bond Rating](#)



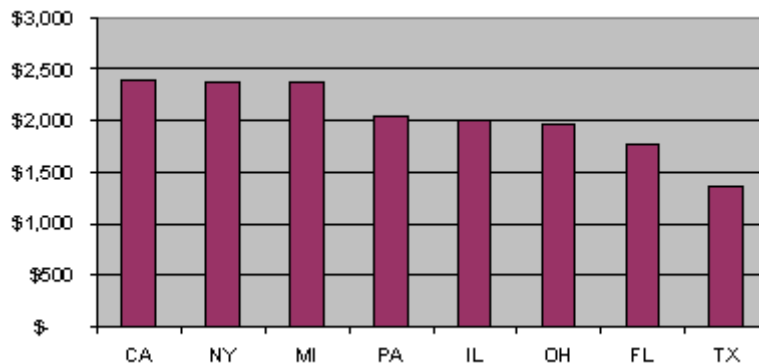
Source: Tax Foundation

### How Does California Compare?

In California, Tax Freedom Day did not occur until April 20th, which means taxpayers in California worked three days longer than the average American to pay their share of taxes. This year, California ranked 9th among all states for having the latest tax freedom day, which is worse than in 2004 when California ranked 10th overall. California's standing next year is likely to get worse again because of the newly imposed 1% "surcharge" on income over \$1 million to fund mental health services (adopted as Proposition 63). The adoption of this "surcharge," effective on January 1, 2005, is estimated to result in a tax increase of approximately \$635 million. Among western states, only Washington has a later Tax Freedom Day than California. Arizona and Oregon residents pay off their tax debt a full week before Californians do.

### Per Capita Taxes

On average every Californian pays \$2,388 in state taxes alone; combined with local and federal taxes, the per capita burden increases to \$11,875. Among the eight largest states, California ranks the highest for per capita state tax burden.



Source: U.S. Census Bureau: Tax Collections for 2004

### Personal Income Tax

The Tax Foundation indicates that California has one of the most highly progressive tax systems in the nation for individuals and small business owners, with six brackets and a top rate of 9.3 percent that kicks in at a relatively low income of \$39,133. For taxpayers earning between \$43,500 and \$307,050 only Montana (which has no sales tax) has a higher rate, and for those earning over \$307,050 of income only Montana's and Vermont's rates are higher. Nearly 80% of California's businesses pay taxes as "S" corporations, partnerships or sole proprietorships. As such, California has virtually the highest small business tax in the nation.

## Sales Tax

In California, sales tax rates range from 7.25% to 8.75%. When local option sales taxes are excluded, California's statutory statewide rate of 7.25% is the highest in the nation.

### Ten Highest Ranking Sales Tax States

State	State-Level Sales Tax (%)
California	7.25
Mississippi	7
Rhode Island	7
Tennessee	7
Minnesota	6.5
Nevada	6.5
Washington	6.5
Illinois	6.25
Texas	6.25
Arkansas	6

## Attempts to Increase Taxes

Despite California's ranking among the worst tax states and our sluggish economic growth, there are numerous bills being pursued that would raise taxes even higher. The following are examples of tax increase bills:

BILL	TAX INCREASE
<b>SB 392 (Cedillo)</b> – Increases the sales tax by ½ % to provide funds for the California Highway Patrol, the Department of Forestry and Fire Protection, and local governments for the hiring of public safety personnel.	\$2.2 billion
<b>AB 6 (Chan)</b> – Increases personal income tax by establishing 10% and 11% tax rates for tax years 2005 through 2009. This tax increase not only affects income taxes for individuals. It also captures nearly 80% of businesses in California that file their taxes under the Personal Income Tax Law.	\$2.2 billion
<b>AB 9 (Coto)</b> - Extends sales tax to "specialized services" including membership in any private club; fuel for watercraft; docking services; furnishing custom computer programs; chartering a limousine, aircraft or boat; furnishing accounting, bookkeeping, legal, security, or detective services; providing architectural, engineering, or surveying services; providing management, scientific, or technical consulting services.	

It is important that we stay vigilant in guarding against tax increases and fight against any erosion of Proposition 13.

**If you would like to contact Senator Runner, please click  
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